ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2021

UCW
LIMITED

UCW LIMITED AND ITS
CONTROLLED ENTITIES
ABN: 85 108 962 152

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CORPORATE DIRECTORY

Directors

Gary Burg: Non-Executive Chair
Adam Davis: Chief Executive Officer and Managing Director
Peter Mobbs: Non-Executive Director
Jonathan Pager: Non-Executive Director

Company Secretary

Lyndon Catzel

Registered Office and Principal Place of Business

Level 1
333 Kent Street
Sydney NSW 2000
Phone: +61 2 9112 4540

Auditor

RSM Australia Partners
Level 13, 60 Castlereagh Street
Sydney NSW 2000

Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
Investor Enquiries: +61 2 9698 5414

Stock Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: UCW

Website

www.ucwlimited.com.au

DIRECTORS' REPORT

Your Directors present their Annual Report on the consolidated entity consisting of UCW Limited (**UCW** or **the Company**) and its controlled entities (**Group**) for the year ended 30 June 2021.

Directors

The names of the Directors during the financial year and up to the date of this report are:

Gary Burg: Non-Executive Chair (non-independent) (appointed 24 March 2016)
Adam Davis: Chief Executive Officer and Managing Director (non-independent) (appointed 16 February 2015)
Peter Mobbs: Non-Executive Director (independent) (appointed 16 February 2015)
Jonathan Pager: Non-Executive Director (independent) (appointed 16 February 2015)

Information on Directors

GARY BURG, BAcc (Wits), MBA (Wits)

Experience and Expertise

Gary has been involved with the broader Global Capital Group since 1995 in South Africa and in Australia since 2001. In Australia, Gary has been involved in a number of businesses across a range of sectors including energy, life insurance, financial services and education. Gary is currently a Director of ClearView Limited and Global Capital Holdings (Australia) Pty Ltd, which is the investment manager of Global Capital Principal Investment business in Australia.

Gary is a former Director of Alinta Energy Pty Ltd. He is a former Director of (and investor in) South African listed Capital Alliance Holdings Limited which owned Capital Alliance Life Limited and Capital Alliance Bank Limited. Gary is also a former Director and investor in Prefsure Life Limited and Insurance Line.

Other Current ASX Directorships

ClearView Wealth Limited (ASX: CVW)

Former ASX Directorships in the Last Three Years

None

Special Responsibilities

- Audit and Finance Committee member
- Risk and Compliance Committee member
- Remuneration and Nomination Committee member

Interests in Shares and Options

As at the date of this report, Gary Burg has the following direct or indirect interest in the Company:

- 32,608,791 fully paid ordinary shares

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

Information on Directors (cont.)

ADAM DAVIS, BAppFin (Macquarie University)

Experience and Expertise

Adam has extensive experience in the education sector, having founded and then acted as Chief Executive Officer and Managing Director of ASX-listed Tribeca Learning Limited (Tribeca). The company was acquired in 2006 by Kaplan, Inc., a division of NYSE-listed Graham Holdings Company (formerly The Washington Post Company), to form the foundation of its Australian operations.

Under Adam's stewardship, Tribeca acquired and integrated numerous education businesses servicing the Australian financial services sector, consolidating a fragmented market and creating the leading national provider. Tribeca offered a broad range of accredited courses and continuing education programs and its customers included most of the major financial institutions in Australia. Adam holds a Bachelor of Applied Finance degree from Macquarie University.

Other Current ASX Directorships

None

Former ASX Directorships in the Last Three Years

None

Special Responsibilities

- Chief Executive Officer & Managing Director

Interests in Shares and Options

As at the date of this report, Adam Davis has the following direct or indirect interest in the Company:

- 8,000,000 fully paid ordinary shares;
- 800,000 unlisted and unvested zero exercise price options (**Performance Rights**), exercisable if the 20-day volume weighted average price (**VWAP**) of UCW ordinary shares at 22 November 2021, is equal to or greater than $0.30;
- 750,000 unlisted and unvested zero exercise price options (**Performance Rights**), exercisable if the 20-day VWAP of UCW ordinary shares at 5 December 2022, is equal to or greater than $0.42; and
- 1,350,000 unlisted and unvested zero exercise price options (**Performance Rights**), exercisable if the 20-day VWAP of UCW ordinary shares at 24 November 2023 exceeds $0.315 (50% exercisable if the 20-day VWAP exceeds $0.2756).

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

Information on Directors (cont.)

PETER MOBBS, B.Com, LL.B (WSU), Grad Dip Legal Practice (College of Law), GAICD

Experience and Expertise

Peter is Managing Director of Greyrock, a private investment company with a focus on education and technology. Prior to establishing Greyrock, Peter was an entrepreneur and executive within the private education industry, where he holds 15+ years' experience across higher education, vocational and corporate training sectors.

Peter led the private equity-backed merger of his company, Ivy College, with the education arm of the Australian Institute of Management (AIM) – a 75 year old brand. Peter was Group CEO and is now a Director and shareholder of the merged group – Scentia.

In previous roles, Peter was the Director of Operations, Career Education within Study Group – a global education provider – and held the role of Managing Director, Martin College, also a Study Group business.

In earlier years, Peter established real estate education business, Agency Training Australia, which in 2006 was acquired by Kaplan Inc., a division of NYSE listed Graham Holdings Company (formerly The Washington Post Company).

He holds degrees in commerce and law and is admitted to practise in the Supreme Court of NSW, is a member of YPO Sydney and is a graduate of the Australian Institute of Company Directors course.

Other Current ASX Directorships

None

Former ASX Directorships in the Last Three Years

None

Special Responsibilities

- Audit and Finance Committee member
- Risk and Compliance Committee Chair
- Remuneration and Nomination Committee member
- Chair of Proteus Technologies Pty Ltd (Ikon Institute)

Interests in Shares and Options

As at the date of this report, Peter Mobbs has the following direct or indirect interest in the Company:

- 4,326,151 fully paid ordinary shares

Contractual rights to shares: None

Information on Directors (cont.)

JONATHAN PAGER, MEc (Macquarie University)

Experience and Expertise

Jonathan has over 25 years' experience as a management consultant and corporate adviser across a wide range of industries in Australia and overseas, and is currently Managing Director of Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a Chartered Accountant with Deloitte, where he commenced his career. He has restructured and listed a range of public companies and been a director of publicly listed companies in the resources and industrial sectors.

Other Current ASX Directorships

None

Former ASX Directorships in the Last Three Years

- Holista CollTech Limited (ASX: HCT) (Non-Executive Director)

Special Responsibilities

- Audit and Finance Committee Chair
- Risk and Compliance Committee member
- Remuneration and Nomination Committee Chair

Interests in Shares and Options

As at the date of this report, Jonathan Pager has the following direct or indirect interest in the Company:

- 1,356,605 fully paid ordinary shares

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

Information on Company Secretary

LYNDON CATZEL, BEc (Sydney University), CA

Experience and Expertise

Lyndon has over 25 years' financial, operational and strategic experience as a CEO, CFO and COO across numerous private businesses in funds administration, financial services, healthcare, software and wholesale distribution. He has a proven track record of financial management, capital raising, development of management teams and strategy execution.

Lyndon started his career in Deloitte's Assurance and Advisory Division before moving to its Corporate Finance Division. He then worked for SG Hambros (the Mergers & Acquisitions Division of Societe Generale). Lyndon is a Chartered Accountant and holds a Bachelor of Economics (Finance and Accounting) from the University of Sydney.

As at the date of this report, Lyndon Catzel has the following direct or indirect interest in the Company:

- 850,000 fully paid ordinary shares;
- 800,000 unlisted and unvested zero exercise price options (**Performance Rights**), exercisable if the 20-day volume weighted average price (**VWAP**) of UCW ordinary shares at 22 November 2021, is equal to or greater than $0.30;
- 500,000 unlisted and unvested zero exercise price options (**Performance Rights**), exercisable if the 20-day volume weighted average price (**VWAP**) of UCW ordinary shares at 5 December 2022, is equal to or greater than $0.42; and
- 1,000,000 unlisted and unvested zero exercise price options (**Performance Rights**), exercisable if the 20-day VWAP of UCW ordinary shares at 24 November 2023 exceeds $0.315 (50% exercisable if the 20-day VWAP exceeds $0.2756).

Since the last Annual Report, the following options have expired:

- 400,000 unlisted and vested options, exercisable at $0.29620 per option expired on 31 July 2021; and
- 400,000 unlisted and vested options, exercisable at $0.39620 per option expired on 31 July 2021.

Contractual rights to shares: None

Environmental regulation and performance

The Company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Dividends

No dividends have been paid or declared during the financial year ended 30 June 2021 (2020: $nil).

Principal activities

The principal activity of the Company during the financial year was the provision of tertiary education services.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review

UCW owns and operates tertiary education businesses, with a current focus on Health and Community Services fields of study.

The Company's strategy is to foster and support growth in its existing businesses, through initiatives such as course, campus and delivery-mode expansion, while concurrently pursuing complementary acquisition opportunities.

The Board includes directors with extensive experience in for-profit education.

UCW currently has two wholly-owned operating businesses:

- Australian Learning Group Pty Limited (**ALG**) - acquired 24 March 2016; and
- Proteus Technologies Pty Ltd trading as Ikon Institute of Australia (**Ikon**) - acquired 4 July 2018.

ALG is a vocational education and training (**VET**) provider, primarily focussed on the international student market. The business operates from campuses in Sydney, Melbourne, Brisbane and Perth.

Ikon is a higher education (**HE**) sector provider, with a primary focus on the domestic student market. Ikon operates from campuses in Sydney, Melbourne, Brisbane, Perth and Adelaide.

In addition to its wholly-owned operating businesses, and outside of its current Health and Community Services focus, UCW owns 24.57% of the ordinary shares in Gradability Pty Ltd (**Gradability**) (acquired 11 July 2017), one of the leading providers of the Professional Year Program (**PYP**). The PYP is a work-readiness and internship program for international student graduates of bachelor and master-level courses in information technology and accounting.

The results presented in this report include the corporate operations of UCW, the operations of its wholly-owned operating businesses, ALG and Ikon, together with UCW's interest in Gradability, for the year ended 30 June 2021 and the comparative period.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)

ALG

Overview

ALG offers vocational courses, primarily to international students, delivered from campuses in Sydney, Melbourne, Brisbane and Perth. It operates a central administration function in Sydney. As at 30 June 2021, ALG had 2,040 international students studying at its various campus locations.

ALG's international students are recruited primarily through education agents, both onshore in Australia and offshore in source countries. ALG has over 250 active education agents and students from more than 70 source countries.

ALG currently offers 14 qualifications, all of which are in Health and Community Services related fields of study:

- Ageing Support (Certificate III and Certificate IV)
- Community Services (Diploma)
- Counselling (Diploma)
- Early Childhood Education and Care (Certificate III and Diploma)
- Fitness (Certificate III and Certificate IV)
- Mental Health (Diploma)
- Remedial Massage (Certificate IV and Diploma)
- Sport and Recreation Management (Diploma)
- Yoga Teaching (Certificate IV and Diploma)

All courses are structured to facilitate rolling intakes, to allow students to commence any course (subject to satisfaction of entry requirements) in any term, with a simultaneous timetable offered in each state. ALG operates four 10-week academic terms per annum.

ALG also has a small self-paced, Fitness distance-education offering (1.9% of FY21 revenue), which is currently not accepting new enrolments.

Enrolments

ALG's international student enrolments for the financial year, being the sum of enrolments in the four academic terms during the period, were 8,659, down 3.9% compared to the previous corresponding period (PCP). In the context of COVID-19 related travel restrictions and the continued closure of the Australian border to non-residents, this result was encouraging. The high retention rate of existing students (including through students extending their studies into follow-on courses) and stronger than expected new student enrolments, reinforces ALG's positioning as a high-quality provider.

International student arrivals are currently scheduled to recommence in phase B of Australia's four-stage National COVID-19 Response plan, triggered when 70% of the eligible population are vaccinated. While it is likely to take some time for international student arrivals to return to previous levels, ALG remains well-positioned and leveraged to a meaningful return to growth as and when this occurs.

In the meantime, while travel and border restrictions persist, the Board expects enrolments to continue to decline, as the pool of prospective onshore students continues to decrease, and remaining students become increasingly price sensitive. This is likely to be exacerbated by ongoing lockdowns, which impacts international students' ability to work, and the recent extension of the COVID-19 emergency visa, which allows international students to remain in the country for 12 months after expiry of their student visa (reducing the attractiveness of enrolling in a follow-on course and extending their student visa). 1Q22 enrolments were 1,780, down 12.7% on the previous term.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)
ALG (cont.)

International enrolments by campus location [a]

Campus location	FY21 enrolments	FY20 enrolments	FY21/FY20 growth	Proportion of total (FY21)
Sydney	4,256	4,799	(11.3%)	49.2%
Melbourne	2,981	2,719	9.6%	34.4%
Brisbane	806	712	13.2%	9.3%
Perth	616	782	(21.2%)	7.1%
Total	**8,659**	**9,012**	**(3.9%)**	**100.0%**

International enrolments by field of study [a]

Field of study	FY21 enrolments	FY20 enrolments	FY21/FY20 growth	Proportion of total (FY21)
Community Services [b]	4,928	4,368	12.8%	56.9%
Fitness, Sport & Recreation Management	2,172	2,728	(20.4%)	25.1%
Remedial Massage	661	898	(26.4%)	7.6%
Yoga Teaching, Dance Teaching [c]	898	1,018	(11.8%)	10.4%
Total	**8,659**	**9,012**	**(3.9%)**	**100.0%**

[a] Enrolments shown are the sum of enrolled students in each of ALG's academic terms during the respective period
[b] Community Services includes: Ageing Support, Community Services, Counselling, Early Childhood Education and Care and Mental Health
[c] ALG ceased offering Dance Teaching during the reporting period

Operating and Financial Review (cont.)
ALG (cont.)

Results for the period (year ended 30 June)

ALG	FY21 $'000	FY20 $'000	Variance $'000	Variance %
Revenue				
International student revenue	17,333	17,969	(636)	(3.5%)
Domestic and other revenue	493	1,088	(595)	(54.7%)
Total revenue	**17,826**	**19,057**	**(1,231)**	**(6.5%)**
Cost of sales				
Commission	3,958	4,012	(54)	(1.3%)
Venue	491	170	321	188.8%
Teaching	4,653	3,980	673	16.9%
Other	262	580	(318)	(54.8%)
Total cost of sales	**9,364**	**8,742**	**622**	**7.1%**
Gross profit	**8,462**	**10,315**	**(1,853)**	(18.0%)
*Gross margin (%)**	*47.5%*	*54.1%*	*n/a*	*(6.6%)*
Operating expenses	4,683	5,022	(339)	(6.8%)
Operating EBITDA	**3,779**	**5,293**	**(1,514)**	**(28.6%)**
*Operating EBITDA margin (%)**	*21.2%*	*27.8%*	*n/a*	*(6.6%)*
Depreciation & amortisation				
- Lease related	1,644	2,049	(405)	(19.8%)
- Plant & equipment	610	521	89	17.1%
- Intangible assets	172	141	31	22.0%
Total depreciation & amortisation	**2,426**	**2,711**	**(285)**	**(10.5%)**
EBIT	**1,353**	**2,582**	**(1,229)**	**(47.6%)**
*EBIT margin (%)**	*7.6%*	*13.5%*	*n/a*	*(5.9%)*
Net finance expense – lease related	519	744	(225)	(30.2%)
Income tax expense	202	496	(294)	(59.3%)
Net profit after tax	**632**	**1,342**	**(710)**	**(52.9%)**

* Movement in percentage points.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)
ALG (cont.)

Financial performance

ALG generated revenue of $17.8m, EBITDA of $3.8m and NPAT of $0.6m for the financial year (FY20: $19.1m, $5.3m and $1.3m respectively), including the benefit of JobKeeper and other government relief of $1.1m (FY20; $0.7m).

As noted above, international student enrolments were down 3.9% compared to FY20, with ALG recording a corresponding decrease in international student revenue of 3.5%. 1Q21 revenue was impacted by the tuition fee discounts and fee waivers that ALG provided to students during the early stages of the pandemic. These were fully phased out by the end of 1H21.

EBITDA declined by 28.6%, as a result of the decline in revenue and as headcount and associated employment costs, which had been reduced at the outset of the pandemic in FY20, were progressively restored during the year, given student enrolments did not decline as materially as expected, and to position the business for the anticipated recovery.

Based on recent Government announcements concerning the anticipated timing of reopening of the border to international students, due to delays in Australia's vaccination program and the spread of the Delta variant, the business has implemented further redundancies and other cost saving measures since year-end.

Despite the 'turbulence', ALG is continuing on its journey of building a high-quality institution. Investment continues to be made in improving its academic resources and processes, student support services and governance structures. While these investments dampen short-term financial performance, the Board believes they will deliver sustainably higher returns over the long term.

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)
Ikon

Overview

Ikon is a FEE-HELP approved higher education (HE) provider. It operates nationally with campuses in Sydney, Melbourne, Brisbane, Perth and Adelaide and more recently, online. Ikon delivers three study periods (or trimesters) per calendar year, each offering an intake for new student commencements. In its Trimester 2 2021 (which bridges the period end), Ikon had 419 students.

Ikon's current HE courses include a Bachelor of Counselling and Psychotherapy, a Bachelor of Arts Therapy and a Bachelor of Early Childhood Education, each with nested Diplomas and/or Associate Degrees. The Bachelor of Early Childhood Education was accredited in 2020 (for 7 years – the maximum allowable period) and was delivered for the first time during the reported period, in Trimester 1 2021.

Ikon's primary demographic is the domestic student market. Leads are generated through digital marketing activities, and prospective students are supported through to enrolment by Ikon's course advisory and admissions team. Ikon is also registered to deliver its courses to international students, typically recruited through education agents.

Enrolments

As noted above, Ikon had 419 students in its Trimester 2 2021, up 10.6% compared to the PCP. This comprised 352 domestic and 67 international students. Notably, growth was recorded across three of our campuses in Sydney, Melbourne and Perth.

As is typical in higher education, the Trimester 1 intake in February, at the commencement of the academic and calendar year, is Ikon's largest, with the second and third trimester intakes in May and September generally considerably smaller. A total of 234 new students commenced during the reporting period, compared to 215 in the PCP. Pleasingly, the Trimester 2 intake of 80 students was up 50.9% compared to the PCP and a similar number of commencements is expected in Trimester 3, well up on the PCP.

Ikon commenced offering its Bachelor of Early Childhood Education in Trimester 1 2021. While off to a modest start, the course appears to be gaining some traction with student numbers of 6 in Trimester 1, 25 in Trimester 2 and expectations, based on current applications, for more than 50 students in Trimester 3.

Ikon also launched its online offer in Trimester 1 2021, having gained regulatory approval to do so during FY20. It has also had a modest start with 18 current students, with this too expected to grow in Trimester 3 and beyond.

Operating and Financial Review (cont.)
Ikon (cont.)

HE students by location [ab]

Campus location	FY21 enrolments	FY20 enrolments	FY21/FY20 growth	Proportion of total (FY21)
Sydney	93	61	52.5%	22.2%
Melbourne	153	145	5.5%	36.6%
Brisbane	63	74	(14.9%)	15.0%
Perth	29	26	11.5%	6.9%
Adelaide	63	73	(13.7%)	15.0%
Online	18	-	n/a	4.3%
Total	**419**	**379**	**10.6%**	**100.0%**

HE students by course [ab]

Field of study	FY21 enrolments	FY20 enrolments	FY21/FY20 growth	Proportion of total (FY21)
Counselling and Psychotherapy	216	208	3.8%	51.5%
Arts Therapy	178	171	4.1%	42.5%
Early Childhood Education	25	-	n/a	6.0%
Total	**419**	**379**	**10.6%**	**100.0%**

[a] Ikon students enrolled in the trimester commenced just prior to year-end i.e. Trimester 2

[b] On an EFTSL (equivalent full-time study load) basis i.e. the equivalent number of full-time students, FY21 was 376, up 4.0% on FY20. This takes account of those students that are studying less than a full-time load

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)
Ikon (cont.)

Results for the period (year ended 30 June)

Ikon	FY21 $'000	FY20 $'000	Variance $'000	Variance %
Revenue				
International student revenue	711	985	(274)	(27.8%)
Domestic student revenue	4,834	5,438	(604)	(11.1%)
Other revenue	59	52	7	13.5%
Total revenue	**5,604**	**6,475**	**(871)**	**(13.5%)**
Cost of sales				
Commission	99	169	(70)	(41.4%)
Venue	117	232	(115)	(49.6%)
Teaching	1,530	1,935	(405)	(20.9%)
Other	3	24	(21)	(87.5%)
Total cost of sales	**1,749**	**2,360**	**(611)**	**(25.9%)**
Gross profit	**3,855**	**4,115**	**(260)**	**(6.3%)**
*Gross margin (%)**	*68.8%*	*63.6%*	*n/a*	*5.2%*
Operating expenses	2,339	2,115	224	10.6%
Operating EBITDA	**1,516**	**2,000**	**(484)**	**(24.2%)**
*Operating EBITDA margin (%)**	*27.1%*	*30.9%*	*n/a*	*(3.8%)*
Depreciation & amortisation				
- Lease related	489	379	110	29.0%
- Plant & equipment	39	10	29	290.0%
- Intangible assets	85	54	31	57.4%
Total depreciation & amortisation	**613**	**443**	**170**	**38.4%**
EBIT	**903**	**1,557**	**(654)**	**(42.0%)**
*EBIT margin (%)**	*16.1%*	*24.0%*	*n/a*	*(7.9%)*
Net finance expense – lease related	210	80	130	162.5%
Income tax expense	227	304	(77)	(25.3%)
Net profit after tax	**466**	**1,173**	**(707)**	**(60.3%)**

* Movement in percentage points

DIRECTORS' REPORT (CONT.)

Operating and Financial Review (cont.)
Ikon (cont.)

Financial Performance

Due to the intentional wind-down and exit from non-HE activities, Ikon recorded a decline in total revenue of 13.5% from $6.5m to $5.6m. Notably, whilst student enrolments were up 7.6% on the prior year, discounted fees to assist international students and a lower overall average study load, resulted in core HE revenue being in line with the PCP.

Higher education represented 98.7% of total revenue in the period, compared to 87.0% in the PCP, with the exit from non-core activities now complete.

EBITDA declined by 24.2% to $1.5m as a result of: the exit from non-core activities; the launch of the Bachelor of Early Childhood Education with its small inaugural student cohorts; and intentional investment being made into the business. This investment includes recruitment of a broader and deeper academic and management team, internal course development capacity, online learning capability and in the enhancement of its governance and risk management structures. Earnings were supported by JobKeeper and other relief measures of $0.8m (FY20: $0.4m).

Ongoing program development is a key element of Ikon's growth strategy. It is currently developing a postgraduate course, which it anticipates submitting for accreditation before calendar 2021 year-end. Additional course offerings are currently being assessed for regulatory submissions in 2022 and beyond.

The Board and Management's strategy is to materially grow the Ikon business through a focus on product development over the coming years. In this context, it considers the negative short-term profit impact of this investment to be appropriate in achieving its long-term goals.

Corporate focus

UCW's strategy is to continue to invest in the growth of its existing businesses while concurrently pursuing acquisition opportunities.

On 14 December 2020, the Company announced its intention to conduct an off-market takeover bid (**Offer**) for fellow ASX-listed education group, RedHill Education Limited (**RedHill**). The bid constituted a significant focus for the Company during FY21. Following an extensive reciprocal due diligence exercise and meaningful discussions, the UCW Board was unable to reach mutually agreeable transaction terms with the RedHill Board. On 25 June 2021, UCW announced its intention to not vary or extend the bid and accordingly the Offer lapsed on Friday, 2 July 2021. RedHill shareholders who had conditionally accepted into the bid, had their acceptances withdrawn.

Transaction costs totalling $0.75m associated with the bid have been expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Results summary

The table below reconciles the underlying EBITDA of ALG and Ikon (UCW's wholly-owned operating businesses) for the year ended 30 June 2021, to the Group's consolidated loss reported for the period.

Group	FY21 $'000	FY20 $'000	Variance $'000	Variance %
ALG and Ikon				
Total revenue	23,430	25,532	(2,102)	(8.2%)
Cost of sales	(11,113)	(11,102)	(11)	(0.1%)
Gross profit	**12,317**	**14,430**	**(2,113)**	**(14.6%)**
*Gross margin (%)**	*52.6%*	*56.5%*	*n/a*	*(3.9%)*
Operating expenses	(7,022)	(7,137)	115	1.6%
Operating EBITDA	**5,295**	**7,293**	**(1,998)**	**(27.4%)**
*Operating EBITDA margin (%)**	*22.6%*	*28.6%*	*n/a*	*(6.0%)*
UCW				
Corporate costs	(1,131)	(997)	(134)	(13.4%)
EBITDA	**4,164**	**6,296**	**(2,132)**	**(33.9%)**
*EBITDA margin (%)**	*17.8%*	*24.7%*	*n/a*	*(6.9%)*
Depreciation & amortisation				
- Lease related	(2,133)	(2,428)	295	12.1%
- Plant & equipment	(649)	(531)	(118)	(22.2%)
- Intangible assets	(401)	(339)	(62)	(18.3%)
Total depreciation & amortisation	**(3,183)**	**(3,298)**	**115**	**(28.4%)**
EBIT	**981**	**2,998**	**(2,017)**	**(67.3%)**
EBIT margin (%)*	*4.2%*	*11.7%*	*n/a*	*(7.5%)*
Equity accounted share of results	-	(12)	12	n/a
Interest on lease liabilities	(730)	(824)	94	11.4%
Interest and borrowing expenses	(182)	(215)	33	15.3%
Income tax expense	103	(441)	544	n/a
Net profit before one-off items	**172**	**1,506**	**(1,334)**	**(88.6%)**
Due diligence and transaction costs**	(753)	(81)	(672)	(829.6%)
Gain on acquisition	-	136	(136)	n/a
Impairment of investments	-	(6,148)	6,148	n/a
Net loss for the period	**(581)**	**(4,587)**	**4,006**	**87.3%**

*Movement in percentage points
** FY21 costs in relation to proposed acquisition of RedHill

DIRECTORS' REPORT (CONT.)

Results summary (cont.)

EBIT: EBIT is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards, adjusted for specific non-cash and significant items. The above table summarises reconciling items between statutory net profit after tax attributable to the shareholders of UCW and EBIT.

EBITDA: EBITDA is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards, adjusted for specific non-cash and significant items. The above table summarises reconciling items between statutory net profit after tax attributable to the shareholders of UCW and EBITDA. EBITDA includes UCW corporate costs but excludes one-off due diligence and transaction costs relating to the acquisition of investments.

Operating EBITDA: Operating EBITDA is the EBITDA of the Company's operating businesses, being ALG and Ikon.

Corporate costs: Costs related to the UCW corporate function and operation of the listed entity, including ASX listing fees, share registry fees, audit fees, the remuneration of the Board and UCW executives.

Equity accounted share of results: Represents UCW's 24.57% share of the loss after tax of Gradability. The investment was fully impaired at 31 December 2019.

Due diligence and transaction costs: External due diligence and transaction costs relating to acquisition activity.

Interest: Interest income was earned on excess cash held in the Group. Interest expense relates primarily to interest on the Company's borrowings.

Interest on lease liabilities: Interest on lease liabilities represents the interest expenses recognised on the lease liabilities following the adoption of *AASB 16 Leases (adopted on 1 July 2019)*.

Depreciation and amortisation: Depreciation relates largely to campus plant & equipment and amortisation relates to fitout, course development, licences and software.

Depreciation of right-of-use assets: Depreciation of right-of-use assets relates to the right-of-use assets recognised following the adoption of *AASB 16 Leases* (adopted on 1 July 2019).

DIRECTORS' REPORT (CONT.)

Net assets

The net assets of the Group as at reporting date was $10,970,335 (30 June 2020: $11,377,056).

Significant changes in the state of affairs

As noted above, during the year, UCW made a takeover bid for fellow ASX-listed education group, RedHill Education Limited (RedHill). The bid was ultimately unsuccessful and lapsed post year-end, on 2 July 2021.

There were no other significant changes in the state of affairs of the Group during the financial year.

Significant events after balance date

The impact of the COVID-19 pandemic is ongoing and while it has had some financial impact for the consolidated entity in the period up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, there have been no other significant events after balance date.

Indemnification of officers and auditor

During the financial year, the Company paid a premium in respect of an insurance contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against liability incurred in the fulfilment of such positions, to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has entered into agreements with the Directors to provide access to company records and to indemnify them in certain circumstances. The indemnity relates to liability as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law, and for legal costs incurred in successfully defending civil or criminal proceedings. No liability has arisen under these indemnities as at the date of this report.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

Unissued shares under option

Details of unissued ordinary shares of UCW under option as at the date of this report are:

Date options granted	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
22 Nov 2018	1,600,000	Ordinary	$nil	21 Dec 2021[a]
5 Dec 2019	1,250,000	Ordinary	$nil	4 Jan 2023[b]
25 Nov 2020	2,350,000	Ordinary	$nil	24 Dec 2023[c]
	5,200,000			

a Performance rights, exercisable if the 20-day VWAP of UCW ordinary shares as at 22 November 2021, is equal to or greater than $0.30.
b Performance rights, exercisable if the 20-day VWAP of UCW ordinary shares as at 5 December 2022, is equal to or greater than $0.42.
c Performance rights, exercisable if the 20-day VWAP of UCW ordinary shares as at 24 November 2023, is greater than $0.315 (50% exercisable if the 20-day VWAP exceeds $0.2756).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

DIRECTORS' REPORT (CONT.)

Auditor

The auditor of the Group for the financial year ended 30 June 2021 was RSM Australia Partners (**RSM**). Details of the amounts paid to the auditors of the Group for audit and non-audit services provided during the year are set out in Note 9 to the Annual Report.

The Directors are satisfied that the provision of non-audit services, during the financial year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Auditor's Independence Declaration is included on page 82 of the Annual Report.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Directors' Meetings

The following table sets out the number of Directors' Meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were in office):

	Directors' Meetings		Audit & Finance Committee		Risk & Compliance Committee		Remuneration & Nomination Committee	
Name of Director	Meetings held	In attendance	Meetings held	In attendance	Meetings held	In attendance	Meetings held	In attendance
Gary Burg	10	10	2	2	2	2	1	1
Adam Davis	10	10	2	2	2	2	1	1
Peter Mobbs	10	10	2	2	2	2	1	1
Jonathan Pager	10	10	2	2	2	2	1	1

DIRECTORS' REPORT (CONT.)

Remuneration Report (Audited)

The Directors present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration;
2. Details of remuneration;
3. Service agreements;
4. Share-based compensation; and
5. Shareholding and option holding of Directors and other Key Management Personnel.

The information provided under headings 1 to 5 below in the Remuneration Report has been audited as required by Section 308(3C) of the Corporations Act 2001.

1. Principles used to determine the nature and amount of remuneration (audited)

The Board has established a Remuneration and Nomination Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and Key Management Personnel.

The Company's Constitution specifies that subject to the initial fixed annual aggregate sum of $500,000, the aggregate remuneration of non-executive Directors shall not exceed the sum determined by the shareholders of the Company in general meeting.

Fees and payments to Directors and Key Management Personnel:

i. Are to reflect the demands which are made on, and the responsibilities of, the Directors and Key Management Personnel; and
ii. Are reviewed annually by the Board to ensure that Directors' fees and payments to Key Management Personnel are appropriate and in line with the market.

Retirement allowances and benefits for Directors

There are no retirement allowances or other benefits paid to Directors.

Directors' fees

The amount of remuneration of the Directors of the Company (as defined in *AASB 124 Related Party Disclosures*) is set out in the following table. There was no remuneration of any type paid to the Directors, other than as reported below for the provision of director and professional services.

Remuneration Report (Audited) (cont.)

2. Details of remuneration (audited)

Directors and other Key Management Personnel		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Employee		Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options	Total	Performance based % of remuneration
		$	$	$	$	$	$	$	$	%
Executive Director and Key Management Personnel										
Adam Davis	2021	256,500	61,425	-	-	-	-	97,362	415,287	38.2%
(Managing Director and CEO)	2020	256,500	-	-	-	-	-	49,384	305,884	16.1%
Lyndon Catzel	2021	195,206	51,188	-	18,545	-	-	76,461	341,400	37.4%
(CFO and Company Secretary)	2020	195,206	-	-	20,672	-	-	43,198	259,076	16.7%
Non-Executive Directors										
Gary Burg	2021	45,000	-	-	-	-	-	-	45,000	-
(Chair)	2020	45,000	-		-	-	-	-	45,000	-
Peter Mobbs	2021	54,795	-	-	5,205	-	-	-	60,000	-
	2020	45,904	-	-	4,361	-	-	-	50,265	-
Jonathan Pager	2021	37,500	-	-	-	-	-	-	37,500	-
	2020	37,500	-		-	-	-	-	37,500	-
Total	**2021**	**589,001**	**112,613**	**-**	**23,750**	**-**	**-**	**173,823**	**899,187**	**31.9%**
Total	**2020**	**580,110**	**-**	**-**	**25,033**	**-**	**-**	**92,582**	**697,725**	**13.3%**

Remuneration Report (Audited) (cont.)

3. Service agreements (audited)

The Directors serve until they resign, are removed, cease to be a Director or are prohibited from being a Director under the provisions of the Corporations Act 2001, or are not re-elected to office.

The Directors and Key Management Personnel have entered into service agreements on the following terms:

- Mr Gary Burg (Non-Executive Chair) - base fee (including Director's fees) of $60,000 per annum excluding GST. During the period from 1 April 2020 until 30 September 2020, Mr Burg waived 100% of this amount.
- Mr Adam Davis (Chief Executive Officer and Managing Director) - base fee (including Director's fees) of $270,000 per annum excluding GST, plus a short-term incentive (STI) of up to 35% of the base fee, subject to achievement of financial and non-financial performance objectives determined by the Board. During the period from 1 April 2020 until 30 September 2020, Mr Davis waived 20% of his base fee and 100% of his STI entitlement for FY20. The FY21 STI was weighted 50% to financial objectives and 50% to strategic and operational objectives. For the year ended 30 June 2021, a total STI of $61,425 (2020: $nil) was achieved (representing 65% of the maximum STI achievable). Mr Davis' FY21 remuneration included a long-term incentive (LTI) of 1,350,000 Performance Rights, issued under the Company's Employee Option Plan, as approved by shareholders at the AGM on 25 November 2020 (refer below for further details).
- Mr Jonathan Pager (Non-Executive Director) - base fee (including Director's fees) of $50,000 per annum excluding GST. During the period from 1 April 2020 until 30 September 2020, Mr Pager waived 100% of this amount.
- Mr Peter Mobbs (Non-Executive Director) - base salary (including Director's fees) of $80,000 per annum (including his additional role as Chair of the Ikon Board since 30 October 2019) (including superannuation). During the period from 1 April 2020 until 30 September 2020, Mr Mobbs waived 100% of this amount.
- If the Company terminates the agreement with cause (such as gross misconduct, conviction of a major criminal offence or misuse of price sensitive information), the Company will provide the Director with no notice and will be summarily dismissed. If the Company terminates the agreement without reason (notwithstanding any other provision of the agreement), the Company will provide the Director with three months' written notice or make a payment of three months' salary in lieu of the notice period.
- Directors, other than the Chief Executive Officer, may terminate their respective agreements at their sole discretion and at any time, and in doing so are entitled to payment of a fee equivalent to three months of their base fees/salary.
- Other than the Directors, the only Key Management Person is Lyndon Catzel, Chief Financial Officer and Company Secretary. During the year ended 30 June 2021, Mr Catzel was paid a base salary of $225,000 (including superannuation) plus an STI of up to 35% of his base salary, subject to achievement of financial and non-financial performance objectives determined by the Board. During the period from 1 April 2020 until 30 September 2020, Mr Catzel waived 20% of his base salary and 100% of his STI entitlement for FY20. The FY21 STI was weighted 50% to financial objectives and 50% to strategic and operational objectives. For the year ended 30 June 2021, a total STI of $51,188 (2020: $nil) was achieved (representing 65% of the maximum STI achievable). Mr Catzel's FY21 remuneration included an LTI of 1,000,000 Performance Rights, issued under the Company's Employee Option Plan, as approved by shareholders at the AGM on 25 November 2020 (refer below for further details).

DIRECTORS' REPORT (CONT.)

Remuneration Report (Audited) (cont.)

4. Share-based compensation (Audited)

The Company has granted performance rights over ordinary shares in the Company to its Chief Executive Officer, Adam Davis and Chief Financial Officer and Company Secretary, Lyndon Catzel, in accordance with the Company's Employee Option Plan and as approved by shareholders at the AGM on 25 November 2020.

The total of share-based payments was $173,823 (2020: $92,582). There were no other share-based payments made to the Directors or Key Management Personnel for the year ended 30 June 2021. Performance rights

Executive	Number of options granted	Grant date	Value per option at grant date ($)	Value of options at grant date ($)	Number Vested	Exercise price ($)	Vesting and first exercise date	Last exercise date
Adam Davis (**Managing Director and CEO**)	800,000	22 Nov 2018	0.1035	82,825	-	$nil	22 Nov 2021	21 Dec 2021
	750,000	5 Dec 2019	0.1518	113,822	-	$nil	5 Dec 2022	4 Jan 2023
	675,000	25 Nov 2020	0.1253	84,583	-	$nil	24 Nov 2023	24 Dec 2023
	675,000	25 Nov 2020	0.1179	79,570	-	$nil	24 Nov 2023	24 Dec 2023
Lyndon Catzel (**CFO and Company Secretary**)	800,000	22 Nov 2018	0.1035	82,825	-	$nil	22 Nov 2021	21 Dec 2021
	500,000	5 Dec 2019	0.1518	75,881	-	$nil	5 Dec 2022	4 Jan 2023
	500,000	25 Nov 2020	0.1253	62,654	-	$nil	24 Nov 2023	24 Dec 2023
	500,000	25 Nov 2020	0.1179	58,941	-	$nil	24 Nov 2023	24 Dec 2023

The performance rights were provided at no cost to the recipients and have the following principal terms:

- Vesting condition: three (3) years of continuous employment or office with the Company from the date of issue;
- Exercise condition:
  - for the performance rights issued on 22 November 2018, at 22 November 2021 (being three years from the date of issue) the UCW share price (20-day VWAP of shares traded on the ASX) must be no less than $0.30;
  - for the performance rights issued on 5 December 2019, at 5 December 2022 (being three years from the date of issue) the UCW share price (20-day VWAP of shares traded on the ASX) must be no less than $0.42; and
  - for the performance rights issued on 25 November 2020, at 24 November 2023 (being three years from the date of issue) the UCW share price (20-day VWAP of shares traded on the ASX) must be no less than $0.315 (for half the performance rights issued, the UCW share price must be no less than $0.2756).
- Expiry: 1 month after the vesting date.

DIRECTORS' REPORT (CONT.)

Remuneration Report (Audited) (cont.)

5. Shareholding and option holding of Directors and other Key Management Personnel (Audited)

(a) Options and performance rights

The number of options to acquire ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel, including their personal related parties, are set out below:

Year ended 30 June 2021	Balance at start of the year	Granted as remuneration	Other changes during the year	Expired	Vested and exercisable at the end of the year (i)	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis (ii)	1,550,000	1,350,000	-	-	-	2,900,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel (i)(ii)	2,100,000	1,000,000	-	-	800,000	2,300,000
	3,650,000	**2,350,000**	**-**	**-**	**800,000**	**5,200,000**

Year ended 30 June 2020	Balance at start of the year	Granted as remuneration	Other changes during the year	Expired	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis (ii)	800,000	750,000	-	-	-	1,550,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel (i)(ii)	1,600,000	500,000	-	-	800,000	1,300,000
	2,400,000	**1,250,000**	**-**	**-**	**800,000**	**2,850,000**

Notes:

(i) Options issued under the Company's Employee Option Plan: 800,000 options (after adjusting for the 1:5 consolidation approved by shareholders on 9 November 2017) vested on 31 July 2019 and expired on 31 July 2021

(ii) Performance rights issued under the Company's Employee Option Plan: 1,600,000 performance rights issued on 22 November 2018, 1,250,000 performance rights issued on 5 December 2019 and 2,300,000 performance rights issued on 25 November 2020, vesting on 22 November 2021, 5 December 2022, and 24 November 2023 respectively, exercisable at $nil and expiring on 21 December 2021, 4 January 2023 and 24 December 2023 respectively. The performance rights may only be exercised if the 20-day volume weighted average price (VWAP) of UCW ordinary shares at 22 November 2021 is equal to or greater than $0.30, if the 20-day volume weighted average price (VWAP) of UCW ordinary shares at 5 December 2022 is equal to or greater than $0.42 and if the 20-day volume weighted average price (VWAP) of UCW ordinary shares at 25 November 2023 is equal to or greater than $0.315 (with 50% of these performance rights exercisable if the 20-day VWAP exceeds $0.2756,), respectively.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

No option holder has any right under the options to participate in any other share issue of the Company.

Remuneration Report (Audited) (cont.)

5. Shareholding and option holding of Directors and other Key Management Personnel (Audited) (cont.)

(b) Shareholding

The number of ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel, including their personal related parties, are set out below:

Year ended 30 June 2021	Balance at start of the year	Shares acquired	Balance at end of the year
Gary Burg	32,608,791	-	32,608,791
Adam Davis	8,000,000	-	8,000,000
Peter Mobbs	4,326,151	-	4,326,151
Jonathan Pager	1,356,605	-	1,356,605
Lyndon Catzel	850,000	-	850,000
	47,141,547	**-**	**47,141,547**

Year ended 30 June 2020	Balance at start of the year	Shares acquired[i]	Balance at end of the year
Gary Burg	32,608,791	-	32,608,791
Adam Davis	8,000,000	-	8,000,000
Peter Mobbs	4,326,151	-	4,326,151
Jonathan Pager	1,356,605	-	1,356,605
Lyndon Catzel	700,000	150,000	850,000
	46,991,547	**150,000**	**47,141,547**

Notes:

[i] Shares acquired on market

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

DIRECTORS' REPORT (CONT.)

Remuneration Report (Audited) (cont.)

Other Key Management Personnel transactions

There have been no other transactions other than those described in the tables above.

Use of remuneration consultants

No remuneration consultants were used to provide remuneration recommendations during the year. The Company intends to engage a remuneration consultant to review and provide recommendation on the Board and executive management's remuneration during FY22.

Signed in accordance with a resolution of the Directors.

Gary Burg
Non-Executive Chair
27 August 2021

STATEMENT OF CORPORATE GOVERNANCE

The Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Corporate Governance Statement is available on the Company's website at www.ucwlimited.com.au and a copy has been lodged with the ASX.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $	2020 $
Revenue from continuing operations			
Revenue from contracts with customers	4	23,229,408	25,114,034
Other revenue	4	79,760	186,053
		23,309,168	25,300,087
Cost of sales		(11,112,904)	(11,100,870)
Gross profit		**12,196,264**	**14,199,217**
Other income			
Other income	4	167,557	267,757
Interest income		5,878	4,926
Share of loss of associates accounted for using the equity method	6	-	(12,174)
		173,435	**260,509**
Expenses			
Employee benefits expense		(5,831,752)	(5,641,292)
Depreciation of right-of-use assets	16	(2,132,850)	(2,427,608)
Depreciation and amortisation expense	14-15	(1,050,239)	(869,912)
Interest on lease liabilities	16	(729,547)	(825,656)
Due diligence and transaction fees		(752,827)	(82,222)
Communication and IT expenses		(561,966)	(483,522)
Advertising, marketing and promotion expenses		(458,265)	(285,919)
Cleaning, utility and occupancy expenses		(340,593)	(247,704)
Administration, support and other expenses		(275,608)	(369,364)
Licence fees		(243,748)	(225,965)
Professional fees		(190,034)	(379,480)
Interest and borrowing expenses		(187,836)	(218,063)
Credit losses		(125,413)	(409,397)
Recruitment expense		(106,980)	(67,932)
Insurance expense		(65,349)	(60,388)
Gain on acquisition	7	-	136,093
Impairment of investment in associates	6	-	(6,147,626)
Total expenses		**(13,053,007)**	**(18,605,957)**
Loss before income tax benefit / (expense) from continuing operations		**(683,308)**	**(4,146,231)**
Income tax benefit / (expense)	2	102,717	(441,315)
Loss for the period		**(580,591)**	**(4,587,546)**
Other comprehensive income for the year		-	-
Total comprehensive loss for the year (net of tax)		**(580,591)**	**(4,587,546)**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT.)

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $	2020 $
Loss per share attributable to equity holders of the parent entity			
Basic loss per share (cents per share)			
Continuing operations	11	(0.49)	(3.97)
Diluted loss per share (cents per share)			
Continuing operations	11	(0.49)	(3.97)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	2021 $	2020 $
Current assets			
Cash and cash equivalents	24	7,817,821	6,621,152
Trade and other receivables	12	1,402,066	1,039,920
Other assets	13	649,366	607,386
Total current assets		**9,869,253**	**8,268,458**
Non-current assets			
Trade and other receivables	12	10,161	71,663
Other assets	13	3,492	41,562
Plant and equipment	14	2,846,237	3,367,348
Intangible assets	15	1,690,114	1,955,311
Right-of-use assets	16	12,298,372	14,467,780
Deferred tax asset	3	1,116,966	592,145
Goodwill on consolidation	7	11,918,128	11,918,078
Total non-current assets		**29,883,470**	**32,413,887**
Total assets		**39,752,723**	**40,682,345**
Current liabilities			
Trade and other payables	17	3,152,564	3,249,491
Contract liabilities	18	4,821,360	5,372,606
Borrowings	28	1,000,000	666,667
Employee benefits	19	422,837	314,775
Deferred lease liability	16	1,941,267	2,152,549
Income tax liabilities	2	44,270	529,827
Total current liabilities		**11,382,298**	**12,285,915**
Non-current liabilities			
Trade and other payables	17	2,890,904	-
Borrowings	28	2,250,000	3,500,000
Employee benefits	19	142,151	99,872
Contract liabilities	18	125,757	129,688
Deferred lease liability	16	11,991,278	13,289,814
Total non-current liabilities		**17,400,090**	**17,019,374**
Total liabilities		**28,782,388**	**29,305,289**
Net assets		**10,970,335**	**11,377,056**
Equity			
Issued capital	20	25,132,480	25,132,480
Reserves		329,372	155,551
Accumulated losses		(14,491,517)	(13,910,975)
		10,970,335	**11,377,056**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2020	**25,132,480**	**155,551**	**-**	**(13,910,975)**	**11,377,056**
Net loss for the year	-	-	-	(580,591)	(580,591)
Other comprehensive income for the year	-	-	-		
Total comprehensive loss for the year	**-**	**-**	**-**	**(580,591)**	**(580,591)**
Transactions with owners in their capacity as owners					
Shares issued at net cost	-	-	-	49	49
Options issued at fair value	-	173,821	-	-	173,821
Total transactions with owners in their capacity as owners	-	173,821	-	49	173,870
Balance as at 30 June 2021	**25,132,480**	**329,372**	**-**	**(14,491,517)**	**10,970,335**

	Issued Capital $	Share Based Payments Reserve $	Options Premium Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2019	**23,842,009**	**62,969**	**-**	**(9,323,429)**	**14,581,549**
Net loss for the year	-	-	-	(4,587,546)	(4,587,546)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**(4,587,546)**	**(4,587,546)**
Transactions with owners in their capacity as owners					
Shares issued at net cost	1,290,471	-	-	-	1,290,471
Options expired			-	-	-
Options issued at fair value	-	92,582	-	-	92,582
Total transactions with owners in their capacity as owners	1,290,471	92,582	-	-	1,383,053
Balance as at 30 June 2020	**25,132,480**	**155,551**	**-**	**(13,910,975)**	**11,377,056**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $	2020 $
Cash flow from operating activities			
Receipts from customers and other income		25,995,080	27,118,921
Interest received		2,405	4,820
Income taxes paid		(904,028)	(51,536)
Payments to suppliers and employees		(20,083,395)	(19,287,682)
Net cash provided by operating activities	24(b)	**5,010,062**	**7,784,523**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	(6,363,907)
Payments for transaction costs in relation to proposed acquisition of RedHill		(425,450)	-
Net receipts from disposal of subsidiaries		-	162,500
Proceeds from term deposits		-	13,886
Payments for plant and equipment		(99,567)	(1,220,040)
Payments for intangibles		(164,083)	(377,496)
Net cash used in investing activities		**(689,100)**	**(7,785,057)**
Cash flow from financing activities			
Proceeds from share issues	20	-	1,300,000
Proceeds from borrowings	28	-	3,475,000
Borrowing costs		(171,252)	(207,289)
Repayment of borrowings	28	(916,667)	(508,333)
Repayment of lease liabilities		(2,036,374)	(2,113,421)
Capital raising costs		-	(13,143)
Net cash (used in) / provided by financing activities		**(3,124,293)**	**1,932,814**
Net increase in cash and cash equivalents		1,196,669	1,932,280
Cash and cash equivalents at beginning of year		6,621,152	4,688,872
Cash and cash equivalents at end of year	24(a)	**7,817,821**	**6,621,152**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This Annual Report covers UCW and its controlled entities. UCW is a listed public company, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 1, 333 Kent Street Sydney NSW 2000. UCW is a for-profit company for the purposes of preparing this Annual Report.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity. Following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the Annual Report. The accounting policies have been consistently applied, unless otherwise stated.

(a) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Basis of preparation of the Annual Report

Statement of compliance

The Annual Report is a general-purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law where possible.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (**IFRS**).

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 August 2021. The Directors have the power to amend and reissue the financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(c) Basis of preparation

The Annual Report has been prepared on the historical cost and accruals basis except where stated otherwise.

(d) Principles of consolidation

Subsidiaries

The Annual Report incorporates the assets, liabilities and results of entities controlled by UCW as at the end of the reporting period.

A controlled entity is any entity over which UCW has the power to govern the financial and operating policies so as to obtain benefits from its activities. All controlled entities have a June financial year end.

All intercompany balances and transactions (if any) between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been aligned to ensure consistency with those policies adopted by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date that control ceased.

Investments in subsidiaries are accounted for at cost, less any impairment.

Interests in associates

Associates are those entities over which the Group has significant influence, but not control or joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Interests in associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the Group’s share of the profit or loss of associates is included in the Group’s profit or loss.

The carrying amount of the investment in associates is increased or decreased to recognise the Group’s share of the profit or loss and other comprehensive income of the associate, and decreased to recognise any dividend received from the associate and adjusted where necessary to ensure consistency with the accounting policies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Income tax

The income tax expense for the year comprises of current tax expense and deferred tax expense. The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. Current tax liabilities are measured at the amounts expected to be paid to the relevant tax authority. Deferred income tax expense reflects movements in deferred tax asset (**DTA**) and deferred tax liability (**DTL**) balances during the year in addition to unused tax losses.

Deferred tax is accounted for using the balance liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income, except where it relates to items that may be credited directly to equity, in which case the deferred tax asset is adjusted directly against equity.

Deferred income tax assets are recognised only to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

The Company and its wholly-owned subsidiaries comprise an income tax consolidated group under tax consolidation legislation. Each entity within the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities / (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(f) Business combinations

The acquisition method is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity interests issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity re-measures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a re-assessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the re-measurement period, based on the new information obtained about the facts and circumstances that existed at the acquisition date. The re-measurement period ends on either the earlier of:

- 12 months from the date of the acquisition; or
- When the acquirer receives all the information possible to determine fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Government grants

Government grants, including non-monetary grants at fair value, are only recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. If the Government grant cannot be determined with reasonable certainty, then the grant is only recognised on receipt.

COVID-19 relief is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income either through offsetting the expense to which it relates (where the relief provided can be directly attributed to that expense) or to other income where such direct link is not clearly evidenced.

JobKeeper payments, payroll tax waivers and regulatory fee waivers (such as from ASQA) have been recognised as a credit against the corresponding matching expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, specifically in cost of sales (teaching expense), payroll and licence fees.

Cashflow boosts received have been recognised as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on receipt.

(h) Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight–line method so as to generally write off the cost of each fixed asset over its estimated useful life on the following basis:

Class of fixed assets	Depreciation rate (useful life)
Office equipment	3 to 20 years
Leasehold improvements	3 to 10 years
Library resources	3 to 10 years

Leasehold improvements are depreciated over the unexpired period of the lease (including any option period, to the extent that it is reasonably certain that the option will be exercised) or their estimated useful life, whichever is shorter.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) Right-of use assets and lease liabilities

The Company has adopted *AASB 16 Leases* using the modified retrospective approach from 1 July 2019, recognising right-of-use assets (**ROUA**) equivalent to the lease liability at transition. Under this approach, the ROUA relating to the operating lease and the lease liability is measured as the present value of the remaining unavoidable future lease payments and discounted using the Group's incremental borrowing rate at the date of initial application. In applying the modified retrospective approach, there is no requirement to restate either retained earnings or prior period comparatives.

The expensing of lease payments evenly over the lease period has been replaced with a depreciation charge against the leased ROUA and an interest expense against the recognised lease liability. In accordance with AASB 16, lease payments are no longer recognised as operating cash flows, but as financing cash flows in the Statement of Cash Flows.

The ROUA and corresponding lease liabilities have been recorded upon adoption of AASB 16. AASB 16 eliminates the distinction between operating and finance leases and brings all leases (other than short term and low value leases) onto the balance sheet. The Group recognises ROUA, representing its right to use the underlying assets and a corresponding lease liability representing its obligation to make unavoidable future lease payments. The Group recognises ROUA and lease liabilities at the commencement date of the lease.

ROUA are initially measured at cost (present value of the lease liability plus deemed cost of acquiring the underlying asset and the cost of restoring the underlying asset less any lease incentives received), and subsequently at cost less any accumulated depreciation, impairment losses and adjusted for remeasurement of the lease liability. The ROUA are depreciated using the straight-line method from the commencement date to the end of the lease term.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term (low-value) leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the profit or loss as incurred.

The lease liabilities are initially measured as the present value of the unavoidable future lease payments expected to be paid over the lease term, discounted using the Group's incremental borrowing rate as the interest rate implicit in the leases are not readily determinable. The lease liability is further re-measured if the estimated future lease payments change as a result of index or rate changes, residual value guarantees or likelihood of exercise of purchase, extension or termination options. The lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group has applied some judgement in determining whether the lease term for specific lease contracts should include renewal options. This involved an assessment of whether the Group is reasonably certain as to the exercise of such options and thus the impact on the lease terms, thereby affecting the measurement of lease liabilities and ROUA recognised.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits at call with financial institutions, and other highly liquid investments with short periods to maturity (less than three months) which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(k) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

A number of methods have been applied to measure expected credit losses including lifetime expected loss allowance, assessment of failed fee collection patterns and of days overdue. The outstanding trade receivables balance is compared to both the revenue recognised and recognisable balances recorded under contract liabilities as at the reporting date.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(l) Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standard or to achieve consistency in disclosure with current financial amounts and other disclosures.

(m) Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

(n) Discontinued operations

A discontinued operation is a component of the Group that represents a separate major line of business that is part of a disposal plan. The results of discontinued operations are presented separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Cash Flows.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which remain unpaid. The amounts are unsecured and are usually settled within 30 days of recognition.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are recognised as a deduction from equity, net of any tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of acquisition as part of the purchase consideration.

(q) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at the reporting date.

(r) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after tax attributable to members of the Group by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(s) Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which employees render the related service. Examples of such benefits include wages and salaries and annual leave, including non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

Long-term employee benefits not expected to be settled within 12 months of the reporting date, are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

The Group presents employee benefit obligations as current liabilities in the Statement of Financial Position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

Profit share and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;
- The amounts to be paid are determined before the time of completion of the Annual Report; or
- Past practice gives clear evidence of the amount of the obligation.

Superannuation

The consolidated entity participates in a defined contribution plan. The amount charged to the Statement of Profit or Loss and Other Comprehensive Income in respect of superannuation represents the contributions paid or payable by the consolidated entity to the superannuation fund during the reporting period.

Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when the Company is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payment is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits include payments as a consequence of termination or those that are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employees' benefits to which they relate, are recognised as liabilities.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(s) Employee benefits (cont.)

Share-based employee remuneration

The Company operates an Employee Option Plan (**EOP**). The purpose of the EOP is to provide eligible employees with an opportunity to acquire options over ordinary shares in the Company. By doing so, the EOP seeks to provide eligible employees with an opportunity to share in the growth in value of the Company and to encourage them to improve the longer-term performance of the Company and its return to shareholders.

The cost of the share-based payments is measured at fair value (determined using the Black-Scholes option pricing model) indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

Performance rights: The Company has issued performance rights under the existing EOP to selected employees during the financial year ended 30 June 2021. An independent valuation of these performance rights was undertaken by an independent adviser based on a barrier pricing model.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(t) Financial instruments

Classification

The Group classifies its financial assets under the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (**OCI**) or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Refer to Note 1(k) for details on the policy in relation to the allowance for expected credit losses.

(u) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(v) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that individual assets may be impaired. Where impairment indicators exist, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill, right-of-use assets and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (**CGU**) to which the assets belong. Refer to Note 1(z) for further details.

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition.

Computer software

Significant external costs associated with the implementation of the student management system have been deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of five years.

Course development and licences

Course development costs are recognised as an asset and measured at cost less any impairment. Once delivery of the course to which the costs relate, has commenced, the associated costs are then amortised over four years.

Licences include the higher education registration acquired during the year and independently valued. This cost is amortised from the date of acquisition for the reminder of the registration period and plus an estimate of one re-registration period.

Website development

Website development has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life, which is four years.

(w) Foreign currency transactions and balances

Foreign currency transactions during the year are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are converted at the rates of exchange ruling at the date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss.

(x) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received. They are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(y) Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received, that are subject to the constraining principle, are recognised as a refund liability.

Tuition revenue

Tuition revenue and other education related revenue such as course materials, are recognised as the service is provided. Application fees, which are non-refundable and relate to the enrolment application process, are recognised over the duration of the course of study, in line with the performance obligations. All revenue in relation to course tuition is initially recorded in deferred revenue and released into income over the period of the related course. Other administration fees relating to tuition (such as late fees) are recognised at the time they are invoiced.

Contract liabilities

Contract liabilities represent the Company's obligation to deliver course content to its students and are recognised when a student pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has delivered the course content to the student.

Interest revenue

Interest revenue is recognised using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised at the effective interest rate.

(z) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the Annual Report based on historical knowledge and best available current information. Estimates assumed a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(z) Critical accounting estimates and judgements (cont.)

Impairment: The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to an impairment of assets. Where an impairment indicator exists, the recoverable amount of the asset is determined. Value-in-use calculations have been performed in assessing recoverable amounts. These incorporate a number of key estimates. To determine value-in-use, management has estimated expected future cash flows from each asset or CGU and also determined a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each asset or CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors. The discount rate calculation is based upon the specific circumstances of the Company and its CGUs and is derived from its weighted average cost of capital (WACC). There is significant judgement and estimation uncertainty in relation to the ability to accurately estimate the fair value of the investment in Gradability. Management have taken into account a number of factors in exercising this judgment, the most significant of which is the reliability of historical budgets and forecasts and the uncertainty in relation to future cashflow projections, together with the most recently available forecast financial information. To this extent, management have adopted a prudent approach and impaired the investment fully.

Performance rights: The Company has issued performance rights under the existing Employee Option Plan (EOP) to select employees during the year ended 30 June 2021. A valuation of these performance rights was undertaken by an independent adviser based on a barrier pricing model.

Recovery of deferred tax assets: Deferred tax assets are recognised for deductible temporary differences only if the Group considers that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Allowances for expected credit losses: The allowance for expected credit losses assessment requires a degree of estimation and judgement. A number of methods have been applied to measure expected credit losses including lifetime expected loss allowance, assessment of failed fee collection patterns and of days overdue. Due to the pandemic, allowances for expected credit losses have been increased to account for the increased uncertainty around collection of receivables.

Lease renewal options: The Group has applied some judgement in determining whether the lease term for specific lease contracts should include renewal options. This involved an assessment of whether the Group is reasonably certain to exercise such options and thus the impact on the lease terms, thereby affecting the measurement of lease liabilities and ROUA recognised.

The Group entered into a four-year lease in January 2018 at 333 Kent Street, Sydney. The lease contains a six-month demolition clause and no option to renew. The Company is in discussions concerning entering a new short term lease on expiry of the current lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(aa) Segment reporting

The Group has applied *AASB8 Operating Segments*. AASB8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The consolidated entity operates in one industry segment being the education industry but for internal purposes, differentiates between international and domestic student income and between higher education and vocational student income. As such, segment reporting has been provided in relation to a split between international and domestic business and between higher education and vocational business.

Operating segments are now reported in a manner with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board.

(bb) Goods and service tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. The GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(cc) Current and non-current classification

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(dd) New accounting standards and interpretations

New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

FOR THE YEAR ENDED 30 JUNE 2021

2. INCOME TAX EXPENSE

(a) The components of tax expense / (benefit) comprise

	2021 $	2020 $
Adjustment recognised for prior periods	21,241	(116,378)
Current tax	400,863	641,649
Deferred tax - origination and reversal of temporary differences	(524,821)	(83,956)
	(102,717)	**441,315**

	2021 $	2020 $
Income tax (benefit) / expense on continuing operations	(102,717)	441,315
	(102,717)	**441,315**

(b) Tax expense on profit from ordinary activities before income tax

	2021 $	2020 $
Loss before tax from continuing operations	(683,308)	(4,146,231)
	(683,308)	**(4,146,231)**
Tax benefit at 26.0% / 27.5%	(177,660)	(1,140,214)
(Deduct) / add tax effect of:		
Income tax expense / (benefit) recognised for prior years	21,241	(116,378)
Impairment of investment in associates	-	1,690,597
Working capital adjustment on acquisitions	-	(37,426)
Share based payments	45,194	25,460
Share of loss of associates accounted for using the equity method	-	7,295
Other assessable / non-allowable items	8,508	11,981
	(102,717)	**441,315**
Benefit of tax loss not brought to account	-	-
Income tax (benefit) / expense attributable to profit	**(102,717)**	**441,315**

The Company has recognised deferred tax assets on the tax losses acquired based on the available fraction rule.

Forecast profit before income tax for the three financial years following reporting date was assessed and the Company expects to generate sufficient future assessable income to utilise the recognised deferred tax assets.

There are no deferred tax liabilities.

Income tax payable of $44,270 (2020: $529,827) in the Consolidated Statement of Financial Position represents the amount payable to ATO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

3. DEFERRED TAX

Deferred tax assets comprise temporary differences attributable to:

	2021 $	2020 $
Amounts recognised in profit or loss:		
Provisions for employee entitlements	209,525	165,395
Accrued expenses and other provisions	193,128	175,690
Plant, equipment and intangibles	243,012	135,118
Leases	408,543	268,010
Estimated assessed tax losses	9,050	9,955
Prepayments and other receivables	(100,119)	(220,149)
Other	137,718	14,842
	1,100,857	**548,861**
Amounts recognised in equity and goodwill:		
Equity raising costs and 'blackhole' expenditure	16,109	43,284
	16,109	**43,284**
Deferred tax asset	**1,116,966**	**592,145**
Movements:		
Opening balance	592,145	477,720
Credited to profit or loss	524,821	83,956
Credited to equity	-	3,614
Credited to goodwill	-	26,855
	1,116,966	**592,145**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 $	2020 $
Revenue from contracts with customers:		
Tuition related revenue	23,299,408	25,114,034
	23,299,408	**25,114,034**
Other revenue:		
Student clinic revenue	79,759	179,728
Dance performance revenue	-	6,325
	79,759	**186,053**
Other income:		
Cashflow boost	144,863	136,257
Export market development and other grants	22,694	131,500
	167,557	**267,757**

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	2021 $	2020 $
Timing of revenue recognition from contracts with customers:		
Services transferred over time	22,988,765	24,843,602
Services transferred at a point in time	240,643	270,432
	23,229,408	**25,114,034**

All revenue has been derived in Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

5. CONTROLLED ENTITIES

Entity	Acquired	Disposed	Country of incorporation	Ownership interest 2021	2020
Australian Learning Group Pty Limited	24 March 2016	-	Australia	100%	100%
Tasman Institute Pty Limited (previously Hydaspes Investments Pty Ltd)	11 July 2017	-	Australia	100%	100%
Proteus Technologies Pty Ltd	4 July 2018	-	Australia	100%	100%

6. INVESTMENT IN ASSOCIATES

Investment in associates is accounted for using the equity method of accounting.

	Ownership interest		Equity-accounted	
	2021	2020	2021	2020
Name	%	%	$	$
Gradability Pty Ltd	24.57	24.57	-	-

Reconciliation of movements	2021 $	2020 $
Balance at the beginning of the period	-	6,174,152
Share of (loss) / profit from associates	-	(12,174)
Elimination of intercompany transactions	-	(14,352)
Dividend received	-	-
Impairment of investments	-	(6,147,626)
Balance at reporting date	**-**	**-**

Due to sustained challenging market conditions and an ongoing material decline in profitability, the Board resolved to fully impair the carrying amount of its investment in Gradability (to $nil) as at 31 December 2019. Gradability recorded an unaudited $0.6m profit in the year to 30 June 2021, aided by c. $2.0m in JobKeeper and other COVID-19 relief measures. At this point, the outlook remains challenging with losses expected in FY22 and accordingly, the Company considers it prudent to maintain the investment at $nil. The Company will continue to assess the carrying value of its investment in Gradability in accordance with Accounting Standards.

7. ACQUISITION OF SUBSIDIARIES

Goodwill on consolidation

	2021 $	2020 $
Australian Learning Group Pty Limited (Vocational Education and Training (**VET**))	1,314,720	1,314,720
Proteus Technologies Pty Ltd (Higher Education (**HE**))	10,603,408	10,603,358
Total goodwill	**11,918,128**	**11,918,078**

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period approved by management, together with a terminal value in year 5.

Key assumptions are those to which the recoverable amount of cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for both the VET and HE segments:

- Pre-tax discount rate of 12.4% (2020: 13.0%) for both HE and VET (including 8% to account for the current uncertainty from the global pandemic and specific company risk in calculating the Company's cost of equity); and
- Terminal growth rate of 3.0% for HE and 2.5% for VET (2020: 3% for both HE and VET).

The pre-tax discount rate of 12.4% reflects management's estimate of the time value of money and the Company's weighted average cost of capital, adjusted for the risk-free rate and the volatility of the share price relative to other businesses in the same industry.

Impact of possible changes in key assumptions

Management has carried out sensitivity analysis on the recoverable amounts based on a change in both the discount rate and the terminal growth rate of +/- 2.0%, as well as the impact of the border closures extending by 6 or 12 months beyond the Board's base case assumption (which is that borders commence a gradual re-opening in July 2022) as well as the impact of faster / (slower) growth in sales as set out below.

Sensitivity - HE	Increase in valuation	Potential impairment
2.0% lower / (higher) post-tax discount rate (WACC)	$11,877,880	$nil
2.0% increase / (decrease) in the terminal growth rate	$9,620,186	$nil
6-month delay in borders opening	N/A	$nil
12-month delay in borders opening	N/A	$nil
10% increase / (decrease) in sales growth rate	$5,235,151	$nil

The carrying value of the CGU includes goodwill of $10,603,408, plant, equipment & other intangibles of $940,668 and ROUA of $4,631,242 (brought to account initially as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 July 2019. The discount rates applied range between 4.81% and 5.36%).

Based on the value-in-use model, the DCF valuation of $25,745,069 was in excess of the carrying value of the CGU at $16,175,318. Accordingly, management consider that there is no impairment required as at 30 June 2021 (2020: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. ACQUISITION OF SUBSIDIARIES (CONT.)

Sensitivity - VET	Increase in valuation	Potential impairment
2.0% lower / (higher) post-tax discount rate (WACC)	$8,108,861	$nil
2.0% increase / (decrease) in the terminal growth rate	$6,503,157	$nil
6-month delay in borders opening	N/A	($4,928,409)
12-month delay in borders opening	N/A	($8,490,301)
10% increase / (decrease) in sales growth rate	$3,401,025	$nil

The carrying value of the CGU includes goodwill of $1,314,720, plant, equipment & other intangibles of $2,506,798 and ROUA of $7,667,129 (initially brought to account as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 July 2019. The discount rates applied range between 4.81% and 5.36%).

Based on the value-in-use model, the DCF valuation of $17,977,118 was in excess of the carrying value of the CGU at $11,488,647. Accordingly, management consider that there is no impairment required as at 30 June 2021 (2020: $nil).

8. KEY MANAGEMENT PERSONNEL COMPENSATION

	2021 $	2020 $
Total remuneration - fixed	612,751	605,155
Total remuneration - at risk	286,436	92,582
	899,187	**697,737**

Further information is contained in the remuneration report.

9. AUDITOR'S REMUNERATION

	2021 $	2020 $
Audit and review of financial statements		
- current Group auditors - RSM Australia Partners	65,316	72,849
- current auditors of ALG and Ikon - Allen and Wolfe[(i)]	10,000	25,000
- prior auditors of Ikon - PKF Kennedy (prior year)	-	4,000
Other services		
- RSM Australia Partners for taxation compliance (including prior years)	19,679	27,067
- RSM Australia Partners for assistance with transaction due diligence	-	-
Total auditor's remuneration	**94,995**	**128,916**

Notes:

(i) Accounts for ALG and Ikon are separately audited for regulatory purposes. The 2018, 2019 and 2020 accounts were audited in FY20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

10.FRANKING CREDITS

	2021 $	2020 $
Franking credits	4,138,317	3,230,205
	4,138,317	**3,230,205**

The balance of franking credits has been adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

11.EARNINGS PER SHARE

	2021 $	2020 $
(a) Basic loss per share (cents per share)		
From continuing operations	(0.49)	(3.97)
(b) Diluted loss per share (cents per share)		
From continuing operations	(0.49)	(3.97)
(c) Reconciliation of loss in calculating earnings per share		
Basic and diluted loss per share		
Loss from continuing operations attributable to ordinary equity holders of the Company	(580,591)	(4,587,546)
	(580,591)	(4,587,546)
(d) Total shares		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	117,514,448	115,521,118
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share	117,514,448	115,521,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

12.TRADE AND OTHER RECEIVABLES

	2021 $	2020 $
Current		
Trade receivables	1,130,319	597,881
GST receivable	270,363	244,596
Other receivables	83,746	365,400
Less: allowance for expected credit losses	(82,362)	(167,957)
	1,402,066	**1,039,920**
Non-current		
Trade and other receivables	10,161	71,663
	10,161	**71,663**

Details in respect of debtors as at reporting date that are considered past due and are not considered fully recoverable are reflected below.

The Group has recognised $125,413 of credit losses (2020: $409,397) in the Consolidated Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021.

The ageing of the receivables and allowance for expected credit losses provided for current trade receivables above as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 $	2020 $	2021 $	2020 $
Not yet overdue	2%	2%	973,964	307,628	21,559	7,074
0 to 3 months overdue	35%	53%	142,625	244,324	49,377	129,795
3 to 6 months overdue	80%	62%	11,605	38,922	9,261	24,081
Over 6 months overdue	100%	100%	2,125	7,007	2,125	7,007
			1,130,319	**597,881**	**82,362**	**167,957**

Movements in the allowance for expected credit losses are as follows:

	2021 $	2020 $
Opening balance	167,957	153,467
Additional allowance recognised	131,035	392,436
Receivables written off during the year as uncollectable	(216,630)	(377,946)
	82,362	**167,957**

13. OTHER ASSETS

	2021 $	2020 $
Current		
Prepayments	251,448	161,845
Deposits	1,750	12,839
Commission paid in advance	396,168	432,702
	649,366	**607,386**

	2021 $	2020 $
Non-current		
Prepayments	1,612	39,792
Deposits	1,880	1,770
	3,492	**41,562**

14.PLANT AND EQUIPMENT

	Office equipment $	Leasehold improvements $	Library resources $	Total $
At 30 June 2021				
Cost	1,937,176	2,883,141	32,574	4,852,891
Accumulated depreciation	(896,504)	(1,097,391)	(12,759)	(2,006,654)
	1,040,672	**1,785,750**	**19,815**	**2,846,237**
At 30 June 2020				
Cost	1,797,195	2,892,020	31,256	4,720,471
Accumulated depreciation	(634,408)	(713,838)	(4,877)	(1,353,123)
	1,162,787	**2,178,182**	**26,379**	**3,367,348**

Reconciliations

Movement in the carrying amounts of each class of plant and equipment at the beginning and end of the year:

	Office equipment $	Leasehold improvements $	Library resources $	Total $
At 1 July 2020	1,162,787	2,178,182	26,379	3,367,348
Additions	139,982	(8,879)	1,318	132,421
Depreciation	(262,097)	(383,553)	(7,882)	(653,532)
At 30 June 2021	**1,040,672**	**1,785,750**	**19,815**	**2,846,237**
At 1 July 2019	982,757	2,033,449	-	3,016,206
Additions	386,156	464,774	31,256	882,186
Depreciation	(206,126)	(320,041)	(4,877)	(531,044)
At 30 June 2020	**1,162,787**	**2,178,182**	**26,379**	**3,367,348**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

15.INTANGIBLE ASSETS

	Computer software $	Website development $	Course development and licences $	Total $
At 30 June 2021				
Cost	469,013	16,168	2,313,744	2,798,925
Accumulated amortisation	(302,062)	(6,763)	(799,986)	(1,108,811)
	166,951	**9,405**	**1,513,758**	**1,690,114**
At 30 June 2020				
Cost	407,509	4,339	2,255,567	2,667,415
Accumulated amortisation	(196,647)	(4,204)	(511,253)	(712,104)
	210,862	**135**	**1,744,314**	**1,955,311**

Reconciliations

Movement in the carrying amounts of each class of intangible assets at the beginning and end of the year:

	Computer software $	Website development $	Course development and licences $	Total $
At 1 July 2020	210,862	135	1,744,314	1,955,311
Additions	61,504	11,829	58,177	131,510
Amortisation	(105,415)	(2,559)	(288,733)	(396,707)
At 30 June 2021	**166,951**	**9,405**	**1,513,758**	**1,690,114**
At 1 July 2019	223,901	335	1,785,640	2,009,876
Additions	67,615	-	216,689	284,304
Additions through business combinations	-	-	-	-
Amortisation	(80,654)	(200)	(258,015)	(338,869)
At 30 June 2020	**210,862**	**135**	**1,744,314**	**1,955,311**

16.RIGHT-OF-USE ASSETS (ROUA) AND LEASE LIABILITIES

The ROUA and lease liabilities have arisen upon adoption of *AASB 16 Leases* from 1 July 2019. Refer to Note 1(i) for further details.

(a) ROUA

	Property 2021 $	Equipment hire 2021 $	Total 2021 $
Right-of use assets	14,342,120	89,102	14,431,222
Less: Accumulated depreciation	(2,109,086)	(23,764)	(2,132,850)
	12,233,034	**65,338**	**12,298,372**
Reconciliation			
Opening balance at 1 July 2020	14,378,678	89,102	14,467,780
Modification to lease	(36,558)	-	(36,558)
Depreciation	(2,109,086)	(23,764)	(2,132,850)
	12,233,034	**65,338**	**12,298,372**

(b) Lease Liabilities

Upon adoption of *AASB 16 Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of *AASB 117 Leases*. These liabilities have been brought to account as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 July 2019. The discount rates applied range between 4.81% and 5.36%.

	2021 $	2020 $
Current	1,941,267	2,152,549
Non-current	11,991,278	13,289,814
Total lease liabilities	**13,932,545**	**15,442,363**
Reconciliation of movement in lease liabilities:		
Lease liability opening balance (including make good provisions)	15,442,363	17,348,871
Additions	-	14,359
Interest expense	729,547	825,656
Modification to lease	(36,558)	201,251
Reassessment of lease liabilities	-	66,193
Surrender of lease	-	(571,135)
Lease liabilities accrued, not yet paid	(202,203)	(329,411)
Repayment of lease liabilities	(2,000,604)	(2,113,421)
Total lease liabilities as at 30 June 2021	**13,932,545**	**15,442,363**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

17. TRADE AND OTHER PAYABLES

	2021 $	2020 $
Current		
Trade creditors	589,256	1,184,547
Other payables and accrued expenses	2,563,308	2,064,944
	3,152,564	**3,249,491**

Trade creditors at 30 June 2021 are not considered past due.

	2021 $	2020 $
Non-Current		
Trade and other payables	2,890,904	-
	2,890,904	-

During FY21 Ikon benefited from COVID-19 relief programs, including the Higher Education Relief Package (Relief Package).

Under the Relief Package, the Department of Education, Skills and Employment (the Department) guaranteed the payment of approved 2020 FEE-HELP estimates for all Higher Education Providers, with any excess FEE-HELP advances paid in 2020 to be repaid over the calendar 2022 – 2029 years. Excess FEE-HELP advances from 2019 (originally due for repayment in 2021) are now also repayable over this period.

Ikon received excess FEE-HELP advances of $0.5m during 2019 and $2.6m during 2020. The Department is yet to advise providers as to the repayment profile. The Company has assumed that repayments will be spread evenly over the 7-year period of calendar year 2022 – 2029. Accordingly, $0.2m is recorded as a current liability in the Company's Statement of Financial Position, with the remaining $2.9m recorded as a non-current liability.

Refer to Note 27 for further information on financial instruments.

18.CONTRACT LIABILITIES

	2021 $	2020 $
Current		
Contract liabilities	4,821,360	5,372,606
	4,821,360	**5,372,606**
Non-current		
Contract liabilities	125,757	129,688
	125,757	**129,688**

Contract liabilities relate to tuition revenue, enrolment fees and course materials fees which have been received in advance of the tuition beginning or the materials being provided to students. The duration of study is used to measure the progress of the performance obligation to determine how much revenue should be recognised, and that revenue is recognised as the performance obligation is satisfied. See further Note 1(y).

Unsatisfied performance obligations

The aggregate amount of the performance obligations that remains unsatisfied at year-end was $4,947,117 (2020: $5,502,294) and is expected to be recognised as revenue in future periods as follows:

	2021 $	2020 $
Within 6 months	4,459,931	4,654,542
6 to 12 months	361,429	718,064
More than 12 months	125,757	129,688
	4,947,117	**5,502,294**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

19. EMPLOYEE BENEFITS

	2021 $	2020 $
Current liabilities		
Annual leave	400,144	290,737
Long service leave	22,693	24,038
	422,837	**314,775**
Non-current liabilities		
Long service leave	142,151	99,872
	142,151	**99,872**

Reconciliation of movements

	2021 $	2020 $
Annual leave		
Opening balance	290,737	379,086
Additions / (reversals)	109,407	(88,349)
Closing balance	**400,144**	**290,737**
Current long service leave		
Opening balance	24,038	111,381
Reversals	(1,345)	(87,343)
Closing balance	**22,693**	**24,038**
Non-current long service leave		
Opening balance	99,872	84,072
Additions	42,279	15,800
Closing balance	**142,151**	**99,872**

19.EMPLOYEE BENEFITS (CONT.)

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take their full entitlement of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2021 $	2020 $
Current liabilities		
Employee benefits obligation expected to be settled after 12 months	71,482	60,877
	71,482	**60,877**

20.SHARE CAPITAL

Issued capital as at 30 June 2021 amounted to $25,132,480 (117,514,448 ordinary shares).

(a) Ordinary shares

	2021		2020	
	Number	$	Number	$
Opening balance	117,514,448	25,132,480	110,821,249	23,842,009
Issued shares net of tax	-	-	6,693,199	1,300,000
Capital raising costs	-	-	-	(13,143)
Deferred tax credit recognised directly in equity	-	-	-	3,614
At reporting date	**117,514,448**	**25,132,480**	**117,514,448**	**25,132,480**

(b) Issuance of ordinary shares

There were no movements in the issued capital of the Company.

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

20.SHARE CAPITAL (CONT.)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure in order to minimise the cost of capital.

To manage the above or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on borrowings or sell assets to reduce debt.

Capital is regarded as total equity, as recognised in the Statement of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

21.OPTIONS AND PERFORMANCE RIGHTS RESERVES

	2021		2020	
	Number	$	Number	$
Opening balance	3,650,000	155,551	2,400,000	62,969
Options issued – vesting expense	-	-	-	59,180
Performance rights issued	2,350,000	173,821	1,250,000	33,402
At reporting date	**6,000,000**	**329,372**	**3,650,000**	**155,551**

Refer to Note 1(r) and Note 8 for further details in respect of the options.

22.ACCUMULATED LOSSES

	2021 $	2020 $
Balance at the beginning of the financial year	(13,910,975)	(9,323,429)
Adjustment to accumulated losses	49	-
Net loss for the year	(580,591)	(4,587,546)
	(14,491,517)	**(13,910,975)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

23.SEGMENT REPORTING

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group operates in two segments, being ALG (largely the provision of vocational education to international students) and Ikon (largely the provision of higher education to domestic students) and in one geographical segment, being Australia.

Year ended 30 June 2021	ALG $	Ikon $	Unallocated $	Total $
Total revenue - international	17,347,281	711,445	-	18,058,726
Total revenue - domestic	333,760	4,836,922	-	5,170,682
Other revenue	79,760	-	-	79,760
Other income	65,774	56,920	44,863	167,557
Interest income	365	1,105	4,408	5,878
Profit / (loss) for the period	632,147	466,215	(1,678,953)	(580,591)

As at 30 June 2021	ALG	Ikon	Unallocated	Total
Total segment assets	22,176,725	9,132,431	8,443,567	39,752,723
Total segment liabilities	(18,395,205)	(6,469,919)	(3,917,264)	(28,782,388)

Year ended 30 June 2020	ALG $	Ikon $	Unallocated $	Total $
Total revenue - international	17,971,109	985,407	-	18,956,516
Total revenue - domestic	719,233	5,438,285	-	6,157,518
Other revenue	186,053	-	-	186,053
Share of profits of associates accounted for using the equity method	-	-	(12,174)	(12,174)
Gain on acquisition	-	-	136,093	136,093
Other income	180,000	51,500	36,257	267,757
Impairment of investments	-	-	(6,147,626)	(6,147,626)
Interest income	1,668	774	2,484	4,926
Profit / (loss) for the period	1,342,315	1,173,178	(7,103,039)	(4,587,546)

As at 30 June 2020	ALG	Ikon	Unallocated	Total
Total segment assets	23,867,413	6,181,718	10,633,214	40,682,345
Total segment liabilities	(20,403,611)	(3,985,421)	(4,916,257)	(29,305,289)

Per *AASB 134.16A(g)(iv)*, segment assets and liabilities have been categorised as unallocated as such segment amounts are not regularly reported to the chief operating decision maker (the Board).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

24. CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2021 $	2020 $
Cash at bank and on hand	7,817,821	6,621,152
	7,817,821	**6,621,152**

Included in the above amounts are tuition fees held in Tuition Protection Scheme (**TPS**) accounts in Australia.

As at 30 June 2021, the Group held $533,759 (2020: $489,758) in TPS accounts.

In 2012 the Education Services for Overseas Student Act 2000 ("ESOS Act") was amended to provide additional protection for international students studying in Australia. The Group is required to maintain, in Australia, separate bank accounts (TPS accounts) for prepaid fees received from international students prior to commencement of their course. Once the students commence their course, the funds may be transferred from the TPS accounts to operating accounts. At all times, the Group must ensure that there are sufficient funds in the TPS accounts to repay any prepaid tuition fees to international students who have not yet commenced their course. Once the course commences, the fees can be released from the TPS accounts. The bulk of fees held in these accounts typically relate to the upcoming period of study, in ALG's case, the term that commenced 9 July 2021.

(b) Reconciliation of cash flow from operations with profit after income tax

	2021 $	2020 $
Loss from ordinary activities after income tax	**(580,591)**	**(4,587,546)**
Adjustments for non-cash items		
Share of loss of associates using equity method	-	12,174
Depreciation and amortisation expense	1,050,239	869,913
Employee share-based expenses	173,821	92,582
Borrowing costs classified as financing activity	171,251	207,289
AASB 16 Leases movement (interest, depreciation, straight-line and other)	2,695,964	2,832,604
Impairment of investment in associates and gain on acquisition	-	6,011,533
Transaction costs in relation to proposed acquisition of RedHill	425,450	-
Other	-	(6,731)
Changes in assets and liabilities		
Trade and other receivables	(349,577)	1,172,803
Other assets	(3,910)	445,278
Deferred tax asset	(524,821)	(114,425)
Plant and equipment and intangible assets	(281)	431,047
Trade and other payables	2,394,090	342,409
Contract liabilities	(591,913)	(113,418)
Employee benefit and other liabilities	150,340	189,011
	5,010,062	**7,784,523**

24. CASH FLOW INFORMATION (CONT.)

(c) Reconciliation of liabilities arising from financing activities

	2021 $	2020 $
Borrowing		
Opening balance	4,166,667	1,200,000
Proceeds from loan facility	-	3,475,000
Repayment of loan	(916,667)	(508,333)
Closing balance	**3,250,000**	**4,166,667**

Refer to Note 28 for details.

25. EVENTS AFTER BALANCE DATE

The impact of the COVID-19 pandemic is ongoing and while it has had some financial impact for the consolidated entity in the period up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, there have been no significant events after balance date.

26. RELATED PARTY TRANSACTIONS

Disclosures relating to Key Management Personnel are set out in Note 8 and the detailed remuneration disclosures in the Directors' Report.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

27.FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The financial instruments of the Company consist of cash, receivables and payables. The Company did not use derivative financial instruments during the year.

Specific financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk.

Interest rate risk

The Company's main exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate. The Company's policy is to ensure that the best interest rate is received for the short-term deposits. Borrowings obtained at variable rates expose the Company to interest rate risk. Details of the Company's bank loans outstanding are disclosed in Note 28. The Company's policy is to ensure that the best interest rate is paid on borrowings.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial arrangements entered into by the Company.

Foreign currency risk

The Company is currently not exposed to fluctuations in foreign currencies arising from the purchase of goods in currencies other than the Company's measurement currency.

Liquidity risk

The Company maintains sufficient liquid assets and available borrowing facilities to be able to pay its debts as and when they become due and payable. The Company manages liquidity risk by continuously monitoring forecast and actual cash flow, and matching maturity profiles of financial assets and liabilities. The Company is currently invested in cash or short-term deposits.

The material liquidity risk for the Company is the ability to raise equity in the future.

Sensitivity analysis

The Company has not performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date as the effect on profit or loss is not considered material.

Net fair values

The net fair value of cash, non-interest bearing monetary assets and financial liabilities approximate their carrying value.

Financial instruments composition and maturity analysis

The Company held interest bearing transaction accounts with Commonwealth Bank of Australia (CBA) and Bendigo and Adelaide Bank of $7,817,821 at 30 June 2021 (2020: $6,621,152), which have been disclosed as current in the Statement of Financial Position.

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statements of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

27.FINANCIAL RISK MANAGEMENT (CONT.)

Financial instruments composition and maturity analysis (cont.)

2021	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Remaining contractual maturities
Financial assets						
Interest-bearing						
Cash & cash equivalents	0.08%	7,705,745	-	-	-	7,705,745
Non-interest bearing						
Cash & cash equivalents		112,076	-	-		112,076
Receivables		886,828	243,491	10,161	-	1,140,480
Total financial assets		**8,704,649**	**243,491**	**10,161**	**-**	**8,958,301**
Financial liabilities						
Interest-bearing						
Borrowings	4.04%	250,000	750,000	2,250,000	-	3,250,000
Non-interest bearing						
Trade and other payables		1,922,003	1,230,561	-	-	3,152,564
Non-current other payables*		-	-	2,223,773	667,131	2,890,904
Total financial liabilities		**2,172,003**	**1,980,561**	**4,473,773**	**667,131**	**9,293,468**

* Fee-Help advance payments as disclosed in Note 17

2020	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Remaining contractual maturities
Financial assets						
Interest-bearing						
Cash & cash equivalents	0.09%	6,467,977	-	-	-	6,467,977
Non-interest bearing						
Cash & cash equivalents		153,175	-	-	-	153,175
Receivables		843,508	196,412	71,663	-	1,111,583
Total financial assets		**7,464,660**	**196,412**	**71,663**	**-**	**7,732,735**
Financial liabilities						
Interest-bearing						
Borrowings	4.98%	-	666,667	3,500,000	-	4,166,667
Non-interest bearing						
Trade and other payables		2,096,052	1,153,439	-	-	3,249,491
Deferred settlement		-	-	-	-	-
Total financial liabilities		**2,096,052**	**1,820,106**	**3,500,000**	**-**	**7,416,158**

28. BORROWINGS

	30 June 2021 $	30 June 2020 $
Current	1,000,000	666,667
	1,000,000	**666,667**
Non-current	2,250,000	3,500,000
	2,250,000	**3,500,000**

The Company has a loan facility (secured by a first ranking charge over all present and after acquired property of the Group) with Commonwealth Bank of Australia (CBA), which was established on 11 July 2017. The components of the loan facility are set out in the table below:

Loan Facility	Facility limit ($)	Drawn ($)	Available ($)
Market rate loan	3,250,000	(3,250,000)	-
Bank guarantee (rental bonds)	1,050,000	(924,871)	125,129
Total loan facility	**4,300,000**	**(4,174,871)**	**125,129**

Market rate loan

The market rate loan is being amortised in accordance with an agreed capital repayment schedule. Quarterly payments of $250,000 are payable to July 2022. On 14 October 2022, an outstanding balance of $2,000,000 will be due. The Company currently intends to refinance that balance for a further term. The loan has typical leverage and cash-flow covenants in place (currently waived until December 2021). The loan attracts interest (referenced to the Bank Bill Swap Bid Rate), and has a line fee of 3.50% p.a. and a liquidity fee of 0.25% p.a.

Bank guarantee (rental bonds)

A bank guarantee fee of 3.50% p.a. is payable half-yearly in advance in respect of the drawn amount.

Reconciliation of movements

	2021 $	2020 $
Opening balance	4,166,667	1,200,000
Proceeds from loan facility	-	3,475,000
Repayment of loan	(916,667)	(508,333)
Closing balance	**3,250,000**	**4,166,667**

In relation to the market rate loan, $1,000,000 is considered current and repayable within 12 months and the remaining balance of $2,250,000 is non-current and has been classified accordingly in the Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

29.UCW LIMITED PARENT COMPANY INFORMATION

	2021 $	2020 $
(a) Summarised Statement of Financial Position		
Assets		
Total assets	8,055,099	10,518,919
Liabilities		
Total liabilities	3,966,792	4,925,480
Net assets	**4,088,307**	**5,593,439**
Equity		
Share capital and reserves	25,461,852	25,288,031
Accumulated losses	(21,373,545)	(19,694,592)
Total equity	**4,088,307**	**5,593,439**
(b) Summarised Statement of Profit or Loss and other Comprehensive Income		
Loss for the year	(1,678,953)	(7,103,038)
Total comprehensive loss for the year	**(1,678,953)**	**(7,103,038)**

The loss for the year included $nil share of losses of associates (2020: $12,174 loss).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 (2020: $nil).

Capital commitments – plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2021 (2020: $nil).

Guarantees

In lieu of providing a bank guarantee or other form of security, the parent entity has guaranteed the obligations of ALG under a lease entered into during the year ended 30 June 2019 for premises at 225 Clarence Street Sydney, NSW 2000.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

a. the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year then ended; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Directors

Gary Burg
Non-Executive Chair
27 August 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of UCW LIMITED

Opinion

We have audited the financial report of UCW Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, the remuneration report and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Recognition of Revenue / Deferred Revenue Refer to Note 1 (y) in the financial statements	
Revenue for the year ended 30 June 2021 was $23,309,168. The primary revenue stream is tuition related revenue. Revenue is considered to be a Key Audit Matter because the application of AASB 15 Revenue from Contracts with Customers requires a significant number of assessments, judgements, and estimates by management, around the determination and allocation of the transaction price across the performance obligations given the nature of the business and fees being routinely received in advance of the courses being delivered.	Our audit procedures in relation to the recognition of revenue included: • Obtaining an understanding of the systems and procedures put in place by management in adopting AASB 15, and evaluating their effectiveness; • Obtaining a detailed understanding of each of the revenue streams and the process for calculating and recording revenue under AASB 15; • Assessing whether the Company's revenue recognition policies were in compliance with Australian Accounting Standards. • Carrying out tests of controls over occurrence, accuracy and completeness of revenue, to test the effectiveness of the controls; • Performing substantive analytical procedures on tuition related revenue. The substantive analytical review involved setting expectations of revenue by using the reports generated from the Company's student management database; • Performing tests of detail on each revenue stream on a sample basis to test the occurrence and accuracy of revenue. The detailed testing included: agreeing transactions to invoices issued by the Company, agreeing the receipt of cash to bank statements, agreeing course details from the letter of offer to the reports from the Company's student management database; • Assessing the appropriateness of the disclosures in the financial report.

Recoverability of goodwill and other intangible assets Refer to Note 7 in the financial statements	
At 30 June 2021, the Company's Statement of Financial Position reflected goodwill with a carrying amount of $11,918,128, which represents approximately 29% of the Company's total assets. As required under AASB 136, management have tested goodwill for impairment. As goodwill does not generate cashflows that are largely independent from other assets, its recoverable amount was determined by calculating the recoverable amount of the cash generating unit ("CGU") to which it belongs. This recoverable amount was then compared to the CGU's carrying amount. In this instance, the recoverable amount was determined to be its value in use. The carrying value of the Company's non-current assets, which includes Plant and equipment at $2,846,237, other Intangible assets at $1,690,114 and Right-of-use assets at $12,298,372. In addition to the requirements to test goodwill for impairment, the current COVID environment poses a risk of impairment associated with the Company's non-current assets; so the directors have identified that impairment indicators existed at the reporting date which required that the impairment testing be extended to other non-current assets. We determined the impairment review of goodwill and other non-current assets to be a Key Audit Matter because of the materiality of the assets' balances, and because of the significant management judgements and assumptions used to determine the value in use of the CGU which contains them. Namely, the calculation of the recoverable amount of the CGU involves judgements about the future underlying cashflows of the CGU, estimated growth rates for the CGU for the next 5 years as well as in perpetuity, and judgements of an appropriate discount rate to apply to the estimated cashflows. The uncertainty in relation to the COVID-19 environment and the short, medium, and long term effect of the pandemic on student numbers remains uncertain. The current circumstances are considered to increase the risk in relation to the carrying value of the goodwill and other non-current assets being potentially impaired.	Our audit procedures included: • Updating our understanding of management's annual impairment testing process; • Holding discussions with senior management, reviewing the Company's ASX announcement and reading minutes of the directors' meetings to gather sufficient information regarding the operations of the current reporting period, as well as the expectations going forward; • Assessing the reasonableness of management's determination that the goodwill should be allocated to a particular CGU in accordance with AASB 136 Impairment of Assets, based on the nature of the Company's business; • Assessing the valuation methodology used to determine the recoverable amount of the Goodwill and other non-current assets associated to the CGUs; • Evaluating the methods and assumptions used to estimate the present value of future cash inflows of the Company, including and challenging the reasonableness of the following: ➢ Future growth rates; ➢ Discount rates; ➢ Terminal value methodology; ➢ The nature and quantum of cashflows included in the model; • Reviewing management's sensitivity analysis over the key assumptions used in the models, including the consideration of the available headroom and assessing whether the assumptions had been applied on a consistent basis across each scenario; • Checking the mathematical accuracy of the cashflow model and reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of the evidence (such as budgets); and • Reviewing the completeness and accuracy of the disclosures included in the financial report to ensure compliance with Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards/Auditors-Responsibilities.aspx. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 29 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of UCW Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

Anthony Travers

Anthony Travers
Partner

Sydney, NSW
Dated: 27 August 2021

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of UCW Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Anthony Travers

Anthony Travers
Partner

Sydney, NSW
Dated: 27 August 2021

ASX ADDITIONAL INFORMATION

AS AT 4 AUGUST 2021

ORDINARY SHARES

117,514,448 fully paid ordinary shares, held by 361 individual shareholders. All ordinary shares carry one vote per share.

RESTRICTED SECURITIES

None.

UNQUOTED SECURITIES

1,600,000 performance rights (zero exercise price options) vesting on 22 November 2021 and exercisable before 21 December 2021, held by Mr Adam Davis and Mr Lyndon Catzel. The performance rights are exercisable if the 20-day volume weighted average price (VWAP) of UCW ordinary shares at 22 November 2021 is equal to or greater than $0.30.

1,250,000 performance rights (zero exercise price options) vesting on 5 December 2022 and exercisable before 4 January 2023, held by Mr Adam Davis and Mr Lyndon Catzel. The performance rights are exercisable if the 20-day volume weighted average price (VWAP) of UCW ordinary shares at 5 December 2022 is equal to or greater than $0.42.

2,350,000 performance rights (zero exercise price options) vesting on 24 November 2023 and exercisable before 23 December 2023, held by Mr Adam Davis and Mr Lyndon Catzel. The performance rights are exercisable if the 20-day volume weighted average price (VWAP) of UCW ordinary shares at 24 November 2023 exceeds $0.315 (50% exercisable if the 20-day VWAP exceeds $0.2756).

DISTRIBUTION OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES:

TOTAL HOLDERS OF FULLY PAID ORDINARY SHARES

Range	Ordinary shares	%	No. of holders	%
100,001 and over	112,342,583	95.60	84	24.00
10,001 to 100,000	4,484,262	3.82	130	37.14
5,001 to 10,000	552,232	0.47	59	16.86
1,001 to 5,000	131,511	0.11	38	10.86
1 to 1,000	3,860	0.00	39	11.14
Total	**117,514,448**	**100.00**	**350**	**100.00**

UNMARKETABLE PARCELS

There are 60 holders of unmarketable parcels of shares (being less than $500) at the share price as at 4 August 2021 of $0.14.

ASX ADDITIONAL INFORMATION (CONT.)

TOTAL HOLDERS OF OPTIONS

Range	Options	%	No. of holders	%
100,001 and over	5,200,000	100.00	2	100.00
10,001 to 100,000	-	-	-	-
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	**5,200,000**	**100.00**	**2**	**100.00**

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Name	Ordinary shares	%
GLOBAL CAPITAL HOLDINGS (AUSTRALIA) PTY LTD	32,608,791	27.75
VIBURNUM FUNDS PTY LTD	12,737,507	10.84
ABD HOLDINGS PTY LIMITED	8,000,000	6.81
MICROEQUITIES ASSET MANAGEMENT PTY LIMITED	7,262,199	6.18
MR MATTHEW CRAWFORD REEDE	6,410,761	5.46

ASX ADDITIONAL INFORMATION (CONT.)

TOP 20 HOLDERS OF EQUITY SECURITIES AS AT 4 AUGUST 2021:

Rank	Name	Ordinary shares	%
1	GLOBAL UCW PTY LIMITED	25,083,686	21.35
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,266,113	15.54
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,983,252	7.64
4	ABD HOLDINGS PTY LIMITED	8,000,000	6.81
5	GLOBAL UCW NO 2 PTY LIMITED	7,525,105	6.40
6	MR MATTHEW REEDE	6,410,761	5.46
7	SIMON PAUL & REBECCA JANE PAUL	2,750,000	2.34
7	BRAD RICHARD SEAMAN	2,750,000	2.34
8	MARGARET ARMSTRONG	1,666,667	1.42
8	MATTHEW SMITH	1,666,667	1.42
9	HOLLOWAY COVE PTY LTD	1,655,523	1.41
10	DMX CAPITAL PARTNERS LIMITED	1,450,000	1.23
11	UNITED EQUITY PARTNERS PTY LTD	1,375,000	1.17
12	JD LIPMAN PTY LTD	1,313,855	1.12
13	DIXSON TRUST PTY LIMITED	1,247,110	1.06
14	OCEANVIEW SUPER FUND PTY LTD	1,078,598	0.92
15	MR KEVIN BERKOWITZ	1,005,000	0.86
16	RAMBUTAN ENTERPRISES LTD	1,000,000	0.85
17	JACOBSON FAMILY HOLDINGS PTY LTD	975,000	0.83
18	MR LYNDON CATZEL	850,000	0.72
19	MONICA GINSBERG SUPER PTY LTD	788,313	0.67
20	MAXIM CAPITAL PTY LIMITED	766,667	0.65
	TOTAL	**96,607,317**	**82.21**


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